

867-2013

*DIRECTORS*

Fraser M. Fell  
Jack A. Hoyle  
Lawson A. Kaake  
Alan Purdy  
H. Thomas Tucker  
Ewart A. Wickens

*OFFICERS*

Ewart A. Wickens — President  
Jack A. Hoyle — Vice-President  
H. Thomas Tucker — Vice-President  
Arthur H. Clairman — Secretary (→)

*TRANSFER AGENTS AND REGISTRARS*

The Royal Trust Company

*AUDITORS*

Clarkson, Gordon & Co., Toronto

**DOUGLAS LEASEHOLDS LIMITED**

Royal Trust Tower  
Toronto—Dominion Centre  
P.O. Box 243  
Toronto M5K 1J5



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# DOUGLAS LEASEHOLDS LIMITED

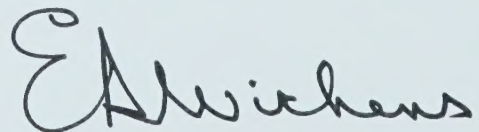
## TO OUR SHAREHOLDERS:

We are pleased to submit the 1976 Annual Report of Douglas Leaseholds Limited. The Royal Trust Company acquired the majority of the outstanding shares of our parent, United Trust Company, now The Royal Trust Company (Ontario), in July 1976. Subsequently, the Board of Douglas was restructured.

Income from operations of \$145,000, for 1976 was almost identical to that for the previous year. Certain properties, due to location, size and changing road patterns were disposed of in accordance with our long-range plans. There were fewer properties in this category this year than in 1975 and, accordingly, our net gain on such sales was lower by some \$48,000. Extraordinary income showed a decrease of \$73,000 as the majority of the marketable securities were disposed of in 1975. For these reasons, the net income declined from \$504,000 for 1975 to \$383,000 for 1976.

In recognition of changes in marketing in the petroleum industry, certain stations which were leased to major oil companies became available to us for alternative leasing purposes. Your Company was successful in a suitable conversion program as a means of both diversifying the form of investment and increasing rental income. As a result, all buildings owned by your Company are fully leased and occupied.

On behalf of the Board:

A handwritten signature in dark ink, appearing to read "E. A. Whithens". The signature is fluid and cursive, with a large initial "E" and a long, sweeping underline.

President.

**DOUGLAS LEASEHOLDS LIMITED**

(Incorporated under the laws of Ontario)

**CONSOLIDATED BALANCE SHEET****December 31, 1976**

(with comparative figures as at December 31, 1975)

**ASSETS**

	<u>1976</u>	<u>1975</u>
Cash and short-term deposit . . . . .	\$ 311,957	\$ 18,159
Mortgages receivable . . . . .	1,122,313	151,968
Investment properties (note 3) . . . . .	13,006,869	13,022,266
Sundry assets and prepaid expenses . . . . .	61,746	124,149
Deferred financing costs . . . . .	166,720	190,959
	<u>\$14,669,605</u>	<u>\$13,507,501</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Bank indebtedness . . . . .	\$ —	\$ 199,167
Accounts payable and accrued charges . . . . .	266,104	292,433
9¼% demand loan due to The Royal Trust Company . . . . .	175,000	—
Long-term debt (note 4) . . . . .	7,662,271	6,998,580
Income taxes payable . . . . .	228,509	118,300
Deferred revenue . . . . .	92,372	68,245
Deferred income taxes (note 2) . . . . .	668,136	632,486
Total liabilities	<u>9,092,392</u>	<u>8,309,211</u>

## Shareholders' equity:

## Capital stock —

## Authorized:

1,500,000 common shares without par value

## Issued:

790,000 shares . . . . . 1,066,200 1,066,200

## Excess of appraised value of land over

cost (note 3) . . . . . 2,661,568 2,730,068

Retained earnings . . . . . 1,849,445 1,402,022

Total shareholders' equity 5,577,213 5,198,290

\$14,669,605 \$13,507,501

On behalf of the Board:

E. A. Wickens - Director

L. A. Kaake - Director

(See accompanying notes)



# DOUGLAS LEASEHOLDS LIMITED

## CONSOLIDATED STATEMENT OF INCOME

for the year ended December 31, 1976

(with comparative figures for 1975)

	<u>1976</u>	<u>1975</u>
Revenue:		
Rentals .....	\$1,368,853	\$1,326,421
Less rent paid on leased sites .....	<u>125,704</u>	<u>119,894</u>
	1,243,149	1,206,527
Other income .....	<u>67,464</u>	<u>46,845</u>
	<u>1,310,613</u>	<u>1,253,372</u>
Expenses:		
Interest on long-term debt .....	609,484	587,087
Other interest .....	45,178	70,431
Administrative and operating expenses .....	244,713	175,618
Depreciation .....	<u>143,080</u>	<u>119,542</u>
	<u>1,042,455</u>	<u>952,678</u>
Operating income before income taxes .....	268,158	300,694
Income taxes .....	<u>123,326</u>	<u>155,647</u>
Income from operations .....	144,832	145,047
Gain on sale of investment properties (net of income taxes 1976 — \$85,098; 1975 — \$27,100) (note 1 (f) ) .....	<u>232,396</u>	<u>280,120</u>
Income before extraordinary items .....	<u>377,228</u>	<u>425,167</u>
Extraordinary items:		
Gain on sale of marketable securities (net of income taxes 1976 — \$2,065; 1975 — \$2,216) .....	6,195	55,266
Gain on redemption of first mortgage bonds .....	<u>—</u>	<u>24,060</u>
	<u>6,195</u>	<u>79,326</u>
Net income .....	<u>\$ 383,423</u>	<u>\$ 504,493</u>
Earnings per share:		
Operations .....	\$ .18	\$ .18
Sale of investment properties .....	<u>.30</u>	<u>.36</u>
Before extraordinary items .....	.48	.54
Extraordinary items .....	<u>.01</u>	<u>.10</u>
Net income .....	<u>\$ .49</u>	<u>\$ .64</u>

(See accompanying notes)

# DOUGLAS LEASEHOLDS LIMITED

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1976

(with comparative figures for 1975)

	<u>1976</u>	<u>1975</u>
Balance, beginning of year		
As originally reported .....	\$1,632,022	\$1,127,529
Adjustment of deferred income taxes (note 2) .....	230,000	230,000
As restated .....	<u>1,402,022</u>	<u>897,529</u>
Net income .....	383,423	504,493
Realization of appraisal increment (net of income taxes of \$4,500) .....	64,000	—
Balance, end of year .....	<u>\$1,849,445</u>	<u>\$1,402,022</u>

(See accompanying notes)

## AUDITORS' REPORT

To the Shareholders of  
Douglas Leaseholds Limited:

We have examined the consolidated balance sheet of Douglas Leaseholds Limited as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in accounting for the sale of investment properties as explained in note 1(f) to the financial statements.

The comparative figures for the preceding year are based on financial statements examined by other Chartered Accountants.

Toronto, Canada,  
January 17, 1977.

Chartered Accountants

*Spilarsen, Gordon & Co.*



# DOUGLAS LEASEHOLDS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION for the year ended December 31, 1976 (with comparative figures for 1975)

	<u>1976</u>	<u>1975</u>
Sources of cash:		
Income from operations . . . . .	\$ 144,832	\$ 145,047
Add charges not requiring an outlay . . . . .		
of cash —		
Depreciation and amortization . . . . .	167,319	133,804
Deferred income taxes . . . . .	35,650	61,147
Cash provided from operations	<u>347,801</u>	<u>339,998</u>
Sale of marketable securities . . . . .	258,695	1,288,670
Mortgage financing and loan payable . . . . .	1,086,000	90,000
Sale of investment properties . . . . .	1,707,597	280,120
Principal repayments on mortgages receivable . . . . .	36,764	—
Net change in other assets and liabilities . . . . .	170,410	157,042
	<u>\$3,607,267</u>	<u>\$2,155,830</u>
Applications of cash:		
Reduction of bank indebtedness . . . . .	\$ 199,167	\$1,085,357
Purchase of marketable securities . . . . .	252,500	—
Mortgages taken back on properties sold . . . . .	1,007,109	151,200
Repayments on long-term debt . . . . .	247,309	672,624
Investment properties acquired . . . . .	1,607,384	330,933
Increase in deferred financing costs . . . . .	—	25,000
	<u>3,313,469</u>	<u>2,265,114</u>
Increase (decrease) in cash	<u>293,798</u>	<u>(109,284)</u>
	<u>\$3,607,267</u>	<u>\$2,155,830</u>

(See accompanying notes)



# DOUGLAS LEASEHOLDS LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1976

### 1. Significant accounting policies

#### (a) Consolidation —

These financial statements include the accounts of Douglas Leaseholds Limited and its wholly-owned subsidiaries, Juniper Investments Limited and Red Wing Petroleum Products Limited.

#### (b) Investment properties and depreciation —

Investment properties are initially recorded at cost. The excess of appraised value over cost of land has been recorded in the accounts (see note 3).

Depreciation is provided on buildings using the sinking fund method under which an increasing amount consisting of a fixed annual sum, together with interest computed at the rate of 5% per annum, is charged to income so as to fully depreciate the buildings over their estimated useful lives, not to exceed thirty-five years. Equipment is depreciated on a straight-line basis over nine years.

#### (c) Deferred financing costs —

Deferred financing costs are initially recorded at cost. Mortgage financing costs and leasing commissions are amortized on a straight-line basis over the terms of the respective mortgages and leases.

#### (d) Deferred income taxes —

The company follows the deferral method of income tax allocation.

Deferred income taxes arise primarily as a result of claiming capital allowance for income tax purposes in excess of the amounts charged for depreciation in the accounts.

#### (e) Revenue recognition —

Revenue from the rental of properties is recognized as the rent is due. Rental payments received in advance are included in deferred revenue on the balance sheet.

#### (f) Sale of investment properties —

Gains and losses on sale of investment properties are recognized in income after considering such factors as date of legal closing, payment arrangements and option or leaseback provisions. In the current year, the company re-examined its presentation of gains and losses on disposals of properties. Since dispositions of properties occur from time to time, gains and losses resulting from such dispositions have been included in income before extraordinary items. The 1975 figures have been restated to reflect this change.

### 2. Deferred income taxes

Prior to 1972 deferred income taxes were provided at the lower rate of tax in effect at that time. Deferred income taxes should have been determined at the effective marginal rates of tax for those years. Accordingly, deferred income taxes have been increased retroactively to reflect the \$230,000 adjustment required and retained earnings have been reduced by the same amount.

### 3. Investment properties

	<u>1976</u>	<u>1975</u>
Land, at cost . . . . .	\$ 1,422,180	\$ 1,422,180
Land, at appraised value . . . . .	5,640,559	5,776,059
Buildings and equipment, at cost . . . . .	6,913,750	6,659,741
	<u>13,976,489</u>	<u>13,857,980</u>
Less accumulated depreciation . . . . .	969,620	835,714
	<u>\$13,006,869</u>	<u>\$13,022,266</u>

Land was appraised in 1968 by the Canada Permanent Trust Company and the appraised values were recorded in the accounts. The original excess of appraised value over cost has been reduced from \$1,687,849 to \$1,590,002 as a result of the realization of the appraisal increment through the sale of properties.

Certain land holdings were appraised in 1975 by Chaffe, Mackenzie & Ray Limited. The excess of appraised value of these properties recorded in the accounts over the greater of cost or their 1968 appraised value has been reduced from \$1,128,781 to \$1,071,566 as a result of the realization of the appraisal increment through the sale of properties.

#### 4. Long-term debt

##### (a) First mortgage bonds payable —

	<u>1976</u>	<u>1975</u>
(i) Sinking fund bonds:		
6¼% due March 1, 1988 . . . . .	\$ 274,000	\$ 274,000
6¼% due November 1, 1988 . . . . .	217,000	217,000
6½% due January 15, 1982 . . . . .	863,000	863,000
(ii) Serial bonds:		
6¾% due November 1, 1977 to 1985 . . . . .	238,000	263,000
6¾% due January 1, 1977 to 1985 . . . . .	128,000	139,000
7½% due June 1, 1977 to 1985 . . . . .	128,000	138,000
	<u>\$1,848,000</u>	<u>1,894,000</u>

##### (b) Mortgages payable —

First mortgage bearing interest at rates varying from 6% to 11% and maturing in various years from 1977 to 1994 . . . . .	5,669,971	4,953,556
Second mortgage 8% maturing March 14, 1989 . . . . .	144,300	151,024
	<u>5,814,271</u>	<u>5,104,580</u>
Total long-term debt . . . . .	<u>\$7,662,271</u>	<u>\$6,998,580</u>

Long-term debt is secured by specific charges on the company's investment properties. The aggregate amounts of principal payments for the next five years are as follows:

1977	—	\$ 389,000
1978	—	1,925,000
1979	—	605,000
1980	—	504,000
1981	—	437,000

#### 5. Commitments

The company is committed as a tenant under various leases to annual rentals of approximately \$280,000. All the leased properties have been sub-leased for periods that approximately coincide with the terms of the leases. The company is committed to exercise options on certain leased properties in 1977 for a total of approximately \$400,000.

#### 6. Remuneration of directors and senior officers

The aggregate direct remuneration paid or payable to directors and senior officers amounted to \$40,000 in the year.

#### 7. Anti-Inflation Program

Under the federal government's Anti-Inflation Program (presently scheduled to be in force until December 31, 1978), the company is subject to mandatory compliance with legislation which controls profit margins, employee compensation and shareholder dividends. Management is of the opinion that the company is in compliance with the requirements of the Anti-Inflation legislation.

#### 8. Comparative figures

Certain of the 1975 figures have been reclassified to correspond with presentation adopted in 1976.









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## DOUGLAS LEASEHOLDS LIMITED

CONSOLIDATED STATEMENT OF CHANGES  
IN FINANCIAL POSITION  
FOR THE SIX MONTHS ENDED JUNE 30, 1978  
(with comparative figures for 1977)  
(UNAUDITED)

	<u>1978</u>	<u>1977</u>
Sources of cash:		
Income from operations.	\$102,751	\$ 95,445
Add charges not requiring an outlay of cash —		
Depreciation and amortization . . . . .	65,277	82,650
Deferred income taxes . .	38,285	27,111
Cash provided from operations . . . . .	\$206,313	\$205,206
Increase in mortgage financing & loans payable . . . . .	587,000	
Sale of investment property . . . . .	283,858	58,080
Principal repayments on mortgages receivable	95,680	18,968
Sale of short term deposit		200,000
	<u>\$1,172,851</u>	<u>\$482,254</u>
Applications of cash:		
Repayment of demand loan . . . . .	\$600,000	\$100,000
Repayment on long term debt . . . . .	475,379	278,821
Investment properties acquired . . . . .		77,670
Net change in other assets & liabilities . . . . .	174,671	127,201
	<u>\$1,250,050</u>	<u>\$583,692</u>
Decrease in cash . . . . .	77,199	101,438
	<u>\$1,172,851</u>	<u>\$482,254</u>
Cash flow per share provided from operations . .	<u>\$ .26</u>	<u>\$ .26</u>

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**DOUGLAS  
LEASEHOLDS**  
LIMITED

## Interim Report

FOR THE SIX MONTHS ENDED

JUNE 30th, 1978



## DOUGLAS LEASEHOLDS LIMITED

## DOUGLAS LEASEHOLDS LIMITED

## TO THE SHAREHOLDERS

CONSOLIDATED STATEMENT OF INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 1978  
(with comparative figures for 1977)  
(UNAUDITED)

We are pleased to submit our unaudited interim report on operations for the six-month period ended June 30th, 1978.

Net income for the first half of 1978 was \$216,572 or 27¢ per share compared with \$101,525 or 13¢ per share for the corresponding period of 1977. Gain on sale of investment properties, net of income taxes, was \$113,821 compared to a gain of \$6,080 in 1977; the gain in 1978 was generated by the disposal of two properties. Net income from operations for the first half of 1978 was \$102,751 compared to \$95,445 for the first half of 1977.

On June 22, 1978 Royal Trust Corporation of Canada, which owns approximately 622,000 shares (79%) of Douglas Leaseholds Limited ("Douglas"), agreed with Chalet Oil Limited to tender all of its shares in Douglas at an expected price of \$5.34 per share. The tender offer will be:

1. made by a wholly-owned subsidiary of Chalet Oil Limited to all shareholders of Douglas resident in Canada,
2. conditional upon the shareholders of Douglas, including Royal Trust Corporation of Canada, tendering at least 90% of the shares of Douglas, and
3. made on or before August 15, 1978.

On behalf of the Board:

*E. A. Whitchers*

President

	1978	1977
<b>Revenue:</b>		
Rentals .....	\$708,157	\$720,996
Less rent paid on leased sites .....	103,911	117,633
	\$604,246	\$603,363
Other income .....	73,021	66,185
	\$677,267	\$669,548
<b>Expenses:</b>		
Interest on long term debt .....	\$302,693	\$287,756
Other interest .....	8	1,225
Administrative and operating expenses ..	117,049	123,243
Depreciation .....	59,920	73,776
	\$479,670	\$486,000
Operating income before income taxes .....	\$197,597	\$183,548
Income taxes .....	94,846	88,103
Income from operations ...	\$102,751	\$ 95,445
Gain on sale of investment properties (net of income taxes 1978-\$35,944. and 1977-\$1,920. ....)	113,821	6,080
Net income .....	\$216,572	\$101,525
<b>Earnings per share:</b>		
Operations .....	\$.13	\$.12
Sale of investment properties .....	.14	.01
Net income .....	\$.27	\$.13